

108TH CONGRESS  
1ST SESSION

# H. R. 737

To amend the Internal Revenue Code of 1986 to prevent corporate  
expatriation to avoid United States income taxes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2003

Mr. NEAL of Massachusetts (for himself, Ms. PELOSI, Mr. HOYER, Mr. MENENDEZ, Mr. RANGEL, Mr. STARK, Mr. MATSUI, Mr. LEVIN, Mr. McDERMOTT, Mr. KLECZKA, Mr. LEWIS of Georgia, Mr. McNULTY, Mr. JEFFERSON, Mr. DOGETT, Mrs. JONES of Ohio, Mr. ABERCROMBIE, Mr. ACKERMAN, Mr. ALLEN, Mr. BACA, Ms. BALDWIN, Ms. BERKLEY, Mr. BERMAN, Mr. BERRY, Mr. BISHOP of New York, Ms. CORRINE BROWN of Florida, Mr. BROWN of Ohio, Mrs. CAPPS, Mr. CAPUANO, Mr. CARDOZA, Ms. CARSON of Indiana, Mr. CLAY, Mr. CONYERS, Mr. COSTELLO, Mr. CROWLEY, Mr. DeFAZIO, Mr. DELAHUNT, Ms. DeLAURO, Mr. DEUTSCH, Mr. DINGELL, Mr. ENGEL, Mr. EVANS, Mr. FARR, Mr. FILNER, Mr. FORD, Mr. FRANK of Massachusetts, Mr. FROST, Mr. GEPHARDT, Mr. GORDON, Mr. GRIJALVA, Mr. HASTINGS of Florida, Mr. HINCHEY, Mr. HOEFFEL, Mr. HOLDEN, Mrs. JOHNSON of Connecticut, Mr. ISRAEL, Ms. KAPTUR, Mr. KILDEE, Mr. KIND, Mr. LAMPSON, Mr. LANGEVIN, Mr. LANTOS, Mr. LARSON of Connecticut, Ms. LEE, Ms. LOFGREN, Mrs. LOWEY, Mr. LYNCH, Mr. MARKEY, Ms. MCCARTHY of Missouri, Ms. MCCOLLUM, Mr. MCGOVERN, Mr. MEEHAN, Mr. MICHAUD, Mr. GEORGE MILLER of California, Mr. NADLER, Mrs. NAPOLITANO, Ms. NORTON, Mr. OBERSTAR, Mr. OBEY, Mr. OLVER, Mr. PALLONE, Mr. PASCRELL, Mr. PASTOR, Mr. PAYNE, Mr. RAHALL, Mr. RODRIGUEZ, Mr. ROSS, Ms. ROYBAL-ALLARD, Mr. RUSH, Mr. RYAN of Ohio, Mr. SABO, Ms. LORETTA SANCHEZ of California, Ms. LINDA T. SÁNCHEZ of California, Mr. SANDERS, Ms. SCHAKOWSKY, Mr. SCHIFF, Mr. SCOTT of Virginia, Mr. SERRANO, Mr. SHERMAN, Mr. SKELTON, Ms. SOLIS, Mr. STRICKLAND, Mr. STUPAK, Mr. TAYLOR of Mississippi, Mr. THOMPSON of Mississippi, Mr. TIERNEY, Mr. TOWNS, Mr. UDALL of Colorado, Mr. UDALL of New Mexico, Mr. VAN HOLLEN, Ms. VELÁZQUEZ, Mr. VISCLOSKY, Ms. WATSON, Mr. WAXMAN, Mr. WEXLER, Ms. WOOLSEY, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend the Internal Revenue Code of 1986 to prevent corporate expatriation to avoid United States income taxes.

1 *Be it enacted by the Senate and House of Representa-*  
 2 *tives of the United States of America in Congress assembled,*

## 3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Corporate Patriot En-  
 5 forcement Act of 2003”.

## 6 **SEC. 2. PREVENTION OF CORPORATE EXPATRIATION TO** 7 **AVOID UNITED STATES INCOME TAX.**

8 (a) IN GENERAL.—Paragraph (4) of section 7701(a)  
 9 of the Internal Revenue Code of 1986 (defining domestic)  
 10 is amended to read as follows:

11 “(4) DOMESTIC.—

12 “(A) IN GENERAL.—Except as provided in  
 13 subparagraph (B), the term ‘domestic’ when ap-  
 14 plied to a corporation or partnership means cre-  
 15 ated or organized in the United States or under  
 16 the law of the United States or of any State  
 17 unless, in the case of a partnership, the Sec-  
 18 retary provides otherwise by regulations.

19 “(B) CERTAIN CORPORATIONS TREATED  
 20 AS DOMESTIC.—

21 “(i) IN GENERAL.—The acquiring cor-  
 22 poration in a corporate expatriation trans-

1 action shall be treated as a domestic cor-  
2 poration.

3 “(ii) CORPORATE EXPATRIATION  
4 TRANSACTION.—For purposes of this sub-  
5 paragraph, the term ‘corporate expatria-  
6 tion transaction’ means any transaction  
7 if—

8 “(I) a nominally foreign corpora-  
9 tion (referred to in this subparagraph  
10 as the ‘acquiring corporation’) ac-  
11 quires, as a result of such transaction,  
12 directly or indirectly substantially all  
13 of the properties held directly or indi-  
14 rectly by a domestic corporation, and

15 “(II) immediately after the trans-  
16 action, more than 80 percent of the  
17 stock (by vote or value) of the acquir-  
18 ing corporation is held by former  
19 shareholders of the domestic corpora-  
20 tion by reason of holding stock in the  
21 domestic corporation.

22 “(iii) LOWER STOCK OWNERSHIP RE-  
23 QUIREMENT IN CERTAIN CASES.—Sub-  
24 clause (II) of clause (ii) shall be applied by  
25 substituting ‘50 percent’ for ‘80 percent’

1 with respect to any nominally foreign cor-  
2 poration if—

3 “(I) such corporation does not  
4 have substantial business activities  
5 (when compared to the total business  
6 activities of the expanded affiliated  
7 group) in the foreign country in which  
8 or under the law of which the corpora-  
9 tion is created or organized, and

10 “(II) the stock of the corporation  
11 is publicly traded and the principal  
12 market for the public trading of such  
13 stock is in the United States.

14 “(iv) PARTNERSHIP TRANSACTIONS.—  
15 The term ‘corporate expatriation trans-  
16 action’ includes any transaction if—

17 “(I) a nominally foreign corpora-  
18 tion (referred to in this subparagraph  
19 as the ‘acquiring corporation’) ac-  
20 quires, as a result of such transaction,  
21 directly or indirectly properties consti-  
22 tuting a trade or business of a domes-  
23 tic partnership,

24 “(II) immediately after the trans-  
25 action, more than 80 percent of the

1 stock (by vote or value) of the acquir-  
2 ing corporation is held by former  
3 partners of the domestic partnership  
4 or related foreign partnerships (deter-  
5 mined without regard to stock of the  
6 acquiring corporation which is sold in  
7 a public offering related to the trans-  
8 action), and

9 “(III) the acquiring corporation  
10 meets the requirements of subclauses  
11 (I) and (II) of clause (iii).

12 “(v) SPECIAL RULES.—For purposes  
13 of this subparagraph—

14 “(I) a series of related trans-  
15 actions shall be treated as 1 trans-  
16 action, and

17 “(II) stock held by members of  
18 the expanded affiliated group which  
19 includes the acquiring corporation  
20 shall not be taken into account in de-  
21 termining ownership.

22 “(vi) OTHER DEFINITIONS.—For pur-  
23 poses of this subparagraph—

24 “(I) NOMINALLY FOREIGN COR-  
25 PORATION.—The term ‘nominally for-

1           eign corporation’ means any corpora-  
 2           tion which would (but for this sub-  
 3           paragraph) be treated as a foreign  
 4           corporation.

5           “(II) EXPANDED AFFILIATED  
 6           GROUP.—The term ‘expanded affili-  
 7           ated group’ means an affiliated group  
 8           (as defined in section 1504(a) without  
 9           regard to section 1504(b)).

10          “(III) RELATED FOREIGN PART-  
 11          NERSHIP.—A foreign partnership is  
 12          related to a domestic partnership if  
 13          they are under common control (with-  
 14          in the meaning of section 482), or  
 15          they shared the same trademark or  
 16          tradename.”

17          (b) EFFECTIVE DATES.—

18           (1) IN GENERAL.—The amendment made by  
 19           this section shall apply to corporate expatriation  
 20           transactions completed after September 11, 2001.

21           (2) SPECIAL RULE.—The amendment made by  
 22           this section shall also apply to corporate expatriation  
 23           transactions completed on or before September 11,  
 24           2001, but only with respect to taxable years of the

- 1 acquiring corporation beginning after December 31,
- 2 2003.

